



JUL 31 2015

Mr. Richard D'Costa  
President  
Universal Career Community College  
1817 Calle Camelia  
San Juan, PR 00927

**Certified Mail Return Receipt Requested**  
Tracking # 7006 0810 0004 0470 6432

RE: **Final Program Review Determination**  
OPE ID: 03326300  
PRCN: 201120227457

Dear Mr. D'Costa:

The U.S. Department of Education's (Department's) School Participation Division – New York/Boston issued a program review report on 4/30/2014 covering Universal Career Community College's (UCCC's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2008/2009 and 2010/2011. Attached is a copy of the program review report and related attachments. UCCC failed to respond to the program review report. The Department has made final determinations based on information obtained during the program review. This Final Program Review Determination (FPRD) and related attachments may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

**Purpose:**

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, and (3) notify the institution of its right to appeal.

The total liabilities due from the institution from this program review are **\$15,007,161.00**.

This final program review determination contains detailed information about the liability determination for all findings.

### **Protection of Personally Identifiable Information (PII):**

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. Appendices D through I also contain PII.

### **Appeal Procedures:**

This constitutes the Department's FPRD with respect to the liabilities identified from the 4/30/2014 program review report. If UCCC wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date UCCC receives this FPRD. An original and four copies of the information UCCC submits must be attached to the request. The request for an appeal must be sent to:

Director  
Administrative Actions and Appeals Service Group  
U.S. Department of Education  
Federal Student Aid/PC  
830 First Street, NE - UCP3, Room 84F2  
Washington, DC 20002-8019

UCCC's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to UCCC's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of**

**funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

**Record Retention:**

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

If the institution has any questions regarding this letter, please contact Lydia Gonzalez at (646) 428-3743. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,



Betty Coughlin  
Division Director

**Enclosure:**

Protection of Personally Identifiable Information  
Program Review Report (and appendices)  
Final Program Review Determination Report (and appendices)

cc: Ms. Mayra Segarra, Financial Aid Administrator  
Puerto Rico Consejo de Educación Superior  
Puerto Rico Consejo General de Educación  
Accrediting Commission of Career Schools and Colleges



Prepared for  
**Universal Career Community  
College**

**Federal Student Aid**  
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**OPE ID** 03326300  
**PRCN** 201120227457

**Prepared by**  
**U.S. Department of Education**  
**Federal Student Aid**  
**School Participation Division – New York/Boston**

## **Final Program Review Determination**

**JUL 31 2015**

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### **A. Institutional Information**

Universal Career Community College  
Avenue Fernandez Juncos #1902  
Santurce, PR 00909-3010

Type: Proprietary

Highest Level of Offering: Associate's Degree

Accrediting Agency: Accrediting Commission of Career Schools and Colleges

Current Student Enrollment: Institution is no longer participating in the Title IV, HEA Programs

Source: U.S. Department of Education

### **Title IV Participation**

Programs	2010/2011	2009/2010	2008/2009
Federal Pell Grant (Pell)	\$3,974,420	\$5,521,622	\$4,066,222
Federal Supplemental Educational Opportunity Grant (FSEOG)	105,820	108,000	132,500
Federal Work Study (FWS)	36,004	102,601	92,135
<b>Total</b>	<b>\$4,116,244</b>	<b>\$5,732,223</b>	<b>\$4,290,857</b>

Default Rate FFEL/DL: No Participation

Default Rate Perkins: No Participation

Source: U.S. Department of Education

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review of Universal Career Community College's (Universal's) student files obtained by the Department's Office of Inspector General from 3/21/2011 through 11/22/2011. The review was conducted by Lydia Gonzalez and Jacqueline Watford as representatives of the U.S. Department of Education, Julio Echevarria and Robert Wolfe from the Department's Office of the Inspector General (OIG).

The initial focus of the review was to determine whether Universal officials violated Federal laws by falsifying students' attendance records in order to illegally obtain Pell grant funds. The review consisted of, but was not limited to, an examination of individual student financial aid and academic files, attendance records, and student account ledgers that were in the possession of the Department's Office of the Inspector General (OIG), and additional information provided by the institution. These records had been seized as part of an investigation of the institution.

A sample of 184 files was identified for review from the 2008/2009 and 2009/2010 award years. The student files were selected based on a review of student records to identify a judgmental sample of students that had likely not attended or withdrawn from the institution. Appendix A lists the names and partial social security number of the students whose files were examined during the program review. A program review report was issued on **April 30, 2014**.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Universal's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Universal of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.



### **C. Findings and Final Determinations**

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations. As a result of the findings noted during the review, the Department, on December 20, 2011, imposed an emergency action against Universal. The Department took the action under authority 20 U.S.C § 1094(c)(1)(G), and the procedures for emergency action set forth in the Student Assistance General Provisions regulations at 34 C.F.R. § 668.83. As a result, Universal's Title IV program participation was terminated on 12/20/2011.

The Department based its decision upon reliable information obtained during a program review and an investigation that was conducted by the Department's New York/Boston School Participation Division (SPD) in conjunction with the Department's Office of Inspector General (OIG). As part of its review, the Department analyzed student file documentation that was obtained by OIG, and documentation that was obtained during an on-site review of Universal, and during the subsequent investigation. Federal Student Aid's review of the seized records began in March 2011. The information obtained during the review and investigation disclosed severe breaches of Universal's fiduciary duty to the Department and serious violations of Title IV regulations. Based on the violations outlined below, it was determined that an emergency action against Universal was warranted.

#### **Finding 1. Illegal Disbursement and Retention of Unearned Title IV Funds and Falsification of Documentation**

##### **Noncompliance:**

A student must be enrolled in a program requiring a minimum of 15 weeks and 600 hours of instructional time in order to receive Pell Grant funds. 34 C.F.R. § 668.8(d). Once it is determined that a student is enrolled in an eligible program, the amount of a student's Pell Grant is calculated by using the guidelines established in the regulations. See 34 C.F.R. §§ 690.62, 690.63. The calculations to be used by an institution vary depending on the length of the student's program and the method by which the institution measures its academic program. For an institution such as Universal, which provides its programs in quarter credit hours, the calculations focus on the number of credits and weeks of instruction required to complete the student's program of study. See 34 C.F.R. §§ 690.63(a),(b).

After the amount of a student's Title IV award is established, the funds are disbursed to the student in incremental payments, or payment periods. For programs such as Universal's that have standard academic terms, the payment period is the academic term. 34 C.F.R. § 668.4(a). An institution may not disburse a second payment of Pell Grant funds to a student until he/she has completed the payment period for which Pell disbursements have previously been made. 34 C.F.R. § 690.75(a)(3). Further, an



institution must ensure that a student is still enrolled and attending classes prior to disbursing Title IV funds for subsequent payment periods. If a student does not begin attendance in a payment period, the institution is responsible for returning any improperly disbursed funds. 34 C.F.R. § 668.21.

A student's Pell Grant award for any given payment period is affected by the student's enrollment status. For programs offered in standard terms such as semesters, a student must be enrolled in at least 12 credits per academic term in order to be considered full time and receive the maximum Pell Grant award for the term. See 34 C.F.R. §§ 668.2 (definition of full time student); 690.63(a). Students who are enrolled on a three-quarter or half-time basis receive lower Pell Grant awards for the relevant payment periods to reflect the lower credit load. 34 C.F.R. § 668.2 (definition of three-quarter time student, definition of half- time student). For programs offered in non-standard terms, full time status is determined by dividing the number of weeks of instructional time in the term by the number of weeks of instructional time in the academic year and multiplying that number by the number of credit hours in the program's academic year. 34 C.F.R. § 668.2 (definition of full time student – section (3)). If a student's enrollment status changes in a payment period the institution may only include those classes in which the student began attendance when determining the student's adjusted Pell Grant award. 34 C.F.R. § 690.80(b)(2)(ii).

When a student withdraws prior to the completion of his/her program of study, the institution must determine if the amount of Title IV assistance disbursed to the student exceeded the amount of Title IV funds earned as of the date of the student's withdrawal. The date of withdrawal is critical to this calculation. See 34 C.F.R §§ 668.22(c),(e). For time periods relevant to this action, unearned funds must be returned within 45 days from the date of the institution's determination that the student withdrew. 34 C.F.R. § 668.22(j)(1)(2006). If a student fails to provide notification of his/her withdrawal, the determination date is the date the institution becomes aware that the student ceased attending. 34 C.F.R. § 668.22(l)(3). Since Universal does take attendance, its determination that a student has withdrawn should be made within a reasonable time after the student's last date of attendance. An institution's failure to pay refunds is a criminal offense. 20 U.S.C. § 1097.

Compliance with these Title IV disbursement and refund requirements is a critical component of an institution's fiduciary duty to the Department and its students.

The Department found that Universal illegally disbursed and retained Title IV funds for students who did not complete their programs of study. In the files reviewed, the Department found that Universal falsified the last date of attendance (LDA) and student grades to make it appear the students completed more cycles and/ or terms than they actually did.

For example, Student 78 began the administrative assistant certificate program in January 2009. Universal's documentation for this student showed the student as attending 2 full cycles. The student received a B and an F in the first cycle and 2 Fs in the second cycle. Universal posted an LDA for this student as May 1, 2009. The student informed the Department that she went to two sessions of one class the first cycle and then informed the institution that she was withdrawing. She did not attend the second class in the first cycle or any classes in the second cycle. Universal assigned a B grade in the class the student only attended twice. Universal improperly retained a full term of Pell grant funds for this student despite the fact that the student did not begin all of the classes that were used to calculate the student's Pell award.

Similarly, Student 60 began an associate's degree program in August 2009. Universal's records show the student attending 2 full semesters with grades for both. Universal posted an LDA for this student as May 4, 2010, which was the last date of the second semester. The student informed the Department that he only attended the Fall 2009 Term, and did not begin any classes for the semester starting in January 2010. Universal improperly retained 2 semesters of Pell grant funds for this student.

During the course of its review and investigation, the Department discovered that Universal also improperly extended the periods of attendance for Students 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 41, 42, 44, 45, 46, 47, 48, 49, 50, 52, 53, 55, 56, 57, 58, 59, 61, 62, 63, 64, 65, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 79, 80, 81, 82, 84, 85, 86, 87, 88, 90, 91, 92, 93, 94, 95, 97, 98, 101, 102, 103, 104, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 119, 120, 122, 123, 126, 130, 131, 132, 135, 139, 143, 149, 156, 159, 173, 174, 176, 177, 179, 180, 181, 183, 184. To cover its egregious misconduct, Universal falsified grades on student transcripts and last dates of attendance on withdrawal forms. These falsifications made it appear that the students attended longer than they actually did and that they began all classes for which Pell Grant funds had been disbursed, and therefore, that the Pell payments Universal illegally retained were supported.

Universal's misconduct is further exemplified by Students 26 and 83. These students filled out paperwork to enroll at the institution, but never began classes. Despite this fact, Universal disbursed and retained a full semester of Pell Grant funds on behalf of these "no show" students. In addition, Student 77 enrolled at the institution in January 2008, but could not start at that time because of health issues. Although the student did not begin classes at that time, Universal disbursed and retained that full award year of Pell Grant funds.

In addition to improperly carrying students, Universal failed to pay calculated refunds to the Title IV programs for Students 40, 54, 100, 117, 118, and 121. Although Universal performed refund calculations showing that refunds were owed for these students, the funds were never returned to the Department.



Universal's illegal disbursement and retention of Pell funds and its falsification of documentation establish that the institution abandoned its fiduciary duty to the Department and its students. By altering LDAs and transcripts, Universal made it appear that students attended longer than they had so that the institution could mask its illegal disbursement of Title IV funds. In addition, Universal used these falsifications to justify its failure to pay required refunds of unearned Title IV funds. The improper disbursements of these Pell grant funds may impact students Title IV eligibility in future years which causes direct harm to the students.

### **Directives From Program Review Report:**

Under different circumstances, the Department might require an institution to determine Title IV aid inappropriately awarded to ineligible students. However, on August 6, 2013, the Vice President of Universal pled guilty, and was sentenced in the U.S. District Court of Puerto Rico to one year home confinement followed by two years of probation, and ordered to pay \$201,868 in restitution. The investigation revealed that student admissions and withdrawal records at Universal were falsified in order to benefit the institution in requesting, receiving and maintaining Pell grant funds in excess of what the institution was entitled. Based on these determinations, the Department questions the veracity of Universal's documentation as a whole, and therefore, the only acceptable response the Department can accept from the institution to document the students' eligibility for award years 2008/2009, 2009/2010, and subsequent award years was for Universal to engage a qualified, independent, third-party to verify with all students that they in fact met all eligibility requirements, including attendance and grades earned for every course. In its response, Universal was also required to obtain, and submit a notarized individual statement from each student to confirm eligibility. Based on this information, an evaluation was to be performed to identify the resulting amount of Title IV funds the students were eligible to receive, considering the issues identified in all the other findings detailed in this report. Universal was notified that the Department was under no obligation to accept any questionable information or statements.

### **Final Determination:**

Universal did not submit a response or any further documentation to support its disbursement of Title IV funds. In addition, as noted above, the Department found numerous falsifications in Universal's records. A review of the records established that it is impossible to determine which, if any, Title IV disbursements were properly made. Consequently, the Department has no choice but to identify full liabilities for the award years in question. All of Title IV funds received by the institution from 2008/2009 through 2010/2011 award years are institutional liabilities as follows:

Award Years	Pell Grant	FSEOG	FWS	Total
2008/2009	\$4,066,222	\$132,500	\$ 92,135	\$4,290,857
2009/2010	\$5,459,758	\$108,000	\$102,601	\$5,670,359



2010/2011	\$3,914,495	\$105,820	\$ 36,004	\$4,056,319
<b>Total</b>	<b>\$13,440,475</b>	<b>\$346,320</b>	<b>\$230,740</b>	<b>\$14,017,535</b>

The total Pell grant liability identified due the Department for this finding included in Appendix D is **\$13,440,475.00** and the Pell grant interest is **\$1,089,405.76**. The total FSEOG (Federal Share) due the Department is **\$259,740.00** and the interest is **\$23,579.92**, included in Appendix D. The total FWS (Federal Share) liability due the Department is **\$173,055.00**, and the interest liability is **\$16,595.77**, included in Appendix D. The total liability being assessed for this finding due the Department is **\$15,002,851.45**

Payment instructions are included at the end of this report.

## **Finding 2. Improper Disbursement and Retention of Funds for Students Who Were Not Attending Full Time**

### **Noncompliance:**

A student must be enrolled in an eligible program in order to receive Title IV funds. 34 C.F.R. § 668.32. The Title IV regulations set forth specific requirements that must be met in order for an educational program to be deemed eligible for Title IV funding. Among those requirements is the standard that an institution, such as Universal, that offers certificate programs in credit hours must use the Department's credit/clock hour conversion formula for determining the amount of credits that may be used for determining whether a program is eligible and for determining a student's status and his/her eligibility for Title IV funds. See 34 C.F.R. §§ 668.8(k), 668.8(l), 668.9.

Further, as outlined above, a student's Pell Grant award for each term is based, in part, on the student's enrollment status. An institution must adjust a student's Title IV funding if the student is enrolled less than full time. If the student's status changes after he/she initially enrolls for the term, the institution must return any funds that were disbursed in excess of the student's actual enrollment status. See 34 C.F.R. § 690.80(b)(2)(ii).

Universal's associate degree programs are offered in standard semesters, so a full time student must begin at least 12 credits to earn a full Pell award for the semester. Universal's certificate programs are offered in non-standard terms. Based on the formula outlined above, a student must begin 18 credits in each term to be considered full time in those programs. If the students actually began attendance in those programs with less than the required full time credits, the Pell Grant award must be adjusted.

The Department found that Universal failed to adjust the Pell grant awards for students who were enrolled in a term but did not begin all classes in the term. As noted above, only the classes a student actually begins may be counted in determining the eligibility for Title IV awards. Universal repeatedly failed to adjust awards for students who actually attended classes representing less than a full time status. Universal simply

ignored this fact and retained full time awards for Students 4, 5, 7, 15, 20, 25, 36, 41, 43, 51, 62, 66, 71, 74, 89, 96, 97, 99, 100, 105, 114, 120, 123, 131, 143, 149, 156, 157, 159, 160, 176, 177, and 184 even though the classes actually attended did not support a full time Pell Grant award. In some cases, Universal falsified the grades on these students' transcripts to make it appear the students actually attended full time.

**Directives From Program Review Report:**

As stated under Finding 1, the only acceptable response the Department can accept from the institution to document the students' eligibility for award years 2008/2009, 2009/2010, and subsequent award years was for Universal to engage a qualified, independent, third-party to verify with all students that they in fact met all eligibility requirements, including attendance and grades earned for every course. In its response, Universal was also required to obtain, and submit a notarized individual statement from each student to confirm eligibility. Based on the information obtained from the students, an evaluation was to be performed to identify the resulting amount of Title IV funds the students were eligible to receive, considering the issues identified in all the other findings detailed in the report. Universal was also notified that the Department was under no obligation to accept any questionable information or statements.

**Final Determination:**

Universal failed to respond to the program review report. Because Universal failed to submit any further documentation, the Department calculated liabilities based on student interviews, and files reviewed that evidenced that Universal failed to adjust the Pell grant awards for students who were enrolled in a term but did not begin all classes in the term, for students who actually attended classes representing less than full time status, and in cases where Universal falsified the grades on these student's transcripts to make it appear the students actually attended full time.

Liabilities for the students in the review sample only, are as follows:

Award Years	Pell Grant	Interest	Total
2007/2008	\$3,232.50	\$1,077.38	\$4,309.88
2008/2009	\$21,871.68	\$3,717.52	\$25,589.20
2009/2010	\$29,117.45	\$1,327.20	\$30,444.65
<b>Total</b>	<b>\$54,221.63</b>	<b>\$6,122.10</b>	<b>\$60,343.73</b>

Due the unreliability of Universal's records as documented in Finding 1, and Universal's failure to provide any response to the program review, the Department is unable to verify that Universal is eligible for any Title IV funds it disbursed. Therefore, the Department must identify all funds disbursed documented in Finding 1 as liabilities.



The total Pell grant liability that could be identified based on records available to the Department for this finding included in Appendix E is **\$54,221.63** and the Pell grant interest is **\$6,122.10**. These liabilities are subsumed in the full liabilities noted above.

Payment instructions are included at the end of this report.

### **Finding 3. Illegal Disbursements to Incarcerated Students at “Satellite” Locations**

#### **Noncompliance:**

The regulations make clear that a student is not eligible to receive Pell Grant funds if he/she is incarcerated. See 34 C.F.R. § 668.32(c)(2)(ii). The regulations define an incarcerated student as an individual who is serving a criminal sentence in a Federal, State, or local penitentiary, prison, jail, reformatory, work farm, or other similar correctional institution. 34 C.F.R. § 668.2

When Universal applied for recertification in 2008, it added two additional locations to its application. These locations were in Gurabo and Yabucoa, Puerto Rico. At that time, the review of the application was limited to basic eligibility requirements such as accrediting and licensing approval and financial issues. Since Universal met these standards, the sites were approved. In 2010, Universal notified the Department that it added a location in Juncos, PR. The institution was fully certified, and did not need to obtain the Department’s approval for this location so long as it had accreditor and licensing approval, and notified the Department.

During the course of the review and investigation, the Department learned that the sites were not traditional additional locations. These locations were added as a result of a contract entered into between Universal and an entity called Hogar Nueva A Vida, Inc. and Hogar Nuevo Pacto Inc. (Hogar) to provide educational training to individuals at these sites. Hogar is a non-profit organization that provides housing facilities to various groups of individuals, including those serving criminal sentences under the supervision of the Puerto Rico Department of Corrections. Individuals placed there by the Department of Corrections are unable to leave the facility until the completion of their sentences and they receive a formal release.

Since these students were serving criminal sentences at these sites, they would be considered incarcerated for purposes of Title IV eligibility. Consequently, they are ineligible for Pell Grant funding. Improper Pell Grant payments were made to Students 126, 132, 134, 135, 136, 137, 144, 145, 155, 157, 162, 164, 173, 178 and 179.

#### **Directives From Program Review Report:**

As stated under Finding 1, the only acceptable response the Department can accept from the institution to document the students’ eligibility for award years 2008/2009, 2009/2010, and subsequent award years was for Universal to engage a qualified, independent, third-party to verify with all students that they in fact met all eligibility



requirements, including attendance and grades earned for every course. In its response, Universal was also required to obtain, and submit a notarized individual statement from each student to confirm eligibility. Based on the information obtained from the students, an evaluation would have been performed to identify the resulting amount of Title IV funds the students were eligible to receive, considering the issues identified in all the other findings detailed in this report. Universal was notified that the Department was under no obligation to accept any questionable information or statements.

#### **Final Determination:**

Universal failed to submit a response to this finding. Because Universal failed to submit any further documentation, the Department calculated liabilities based on student interviews, and files reviewed that evidenced that Universal disbursed Title IV funds to individuals placed by the Department of Corrections at the Gurabo, Yabucoa and Juncos locations. Those students were unable to leave the facility until the completion of their sentences and they receive a formal release. These students were serving criminal sentences at those sites, and therefore were considered incarcerated for the purpose of Title IV eligibility.

Liabilities for the students in the review sample only, are as follows:

Award Years	Pell Grant	Interest	Total
2008/2009	\$15,756.00	\$2,678.03	\$18,434.03
2009/2010	\$29,425.00	\$1,373.02	\$30,798.02
2010/2011	\$16,803.00	\$ 616.01	\$17,419.01
<b>Total</b>	<b>\$61,984.00</b>	<b>\$4,667.06</b>	<b>\$66,651.06</b>

Due the unreliability of Universal's records as documented in Finding 1, and Universal's failure to provide any response to the program review, the Department is unable to verify that Universal is eligible for any Title IV funds it disbursed. Therefore, the Department must identify all funds disbursed documented in Finding 1 as liabilities.

The total Pell grant liability that could be identified based on records available to the Department for this finding, included in Appendix F is **\$61,984.00** and the Pell grant interest is **\$4,667.06**. These liabilities are subsumed in the full liabilities noted above.

Payment instructions are included at the end of this report.

#### **Finding 4. Disbursement of Funds to Students Who Could Not Complete and Benefit from the Program**

##### **Noncompliance:**

The purpose of the Title IV program is to provide funding in order for students to attend postsecondary institutions and receive necessary training. See 20 U.S. C. § 1070(a). In order to participate in the Title IV programs, proprietary institutions such as Universal must offer eligible programs that prepare students for gainful employment in a recognized occupation. 34 C.F.R. § 600.5(a)(5), 668.8(d)(2)(iii). The focus of these provisions and the Title IV statute in general, is that a student must be able to benefit from an educational program being paid for, at least in part, by Title IV funds.

The Department has determined that was not the case for many students attending the additional locations described in the previous finding. During the course of the review, the Department requested lists of students who attended these additional locations and information regarding the students' start dates and completion/withdrawal dates. Universal provided the requested information. This information established that Universal enrolled students and drew down Pell Grant funds when there was no way the student could complete the program, and therefore, obtain the benefit from the program and the Federal funds used to pay for that program.

For example, Student 145 enrolled in the computer repair program at the additional location in Juncos on March 8, 2010. The student's status is listed as a withdrawal as of June 30, 2010. When the Department questioned the site about the student's withdrawal, the reviewer was told that the student finished his sentence and was released on July 6, 2010. Based on the date of enrollment, there was no way the student could complete more than one semester of the program.

Since the students' criminal sentences and parole times are set at the time the individuals are placed at the Hogar sites, the institution was well aware that the students could not finish the program when they were enrolled and Title IV funds were taken. In addition to Student 145, Universal drew down Title IV funds for Students 126, 155, 157, and 179, when the institution was well aware that the students had no ability to complete and benefit from the programs.

It should also be noted that in addition to enrolling these students who had no ability to complete the program, Universal carried many of the students, and continue disbursing aid after they were released from any of the Hogar sites. As fully set forth above, Universal improperly retained funds for these students for periods of enrollment after the students ceased attending.

Based on the facts uncovered, it appears that Universal enrolled these students for the sole purpose of obtaining Pell Grant funds.



### **Directives From Program Review Report:**

As stated under Finding 1, the only acceptable response the Department can accept from the institution to document the students' eligibility for award years 2008/2009, 2009/2010, and subsequent award years was for Universal to engage a qualified, independent, third-party to verify with all students that they in fact met all eligibility requirements, including attendance and grades earned for every course. In its response, Universal was also required to obtain, and submit a notarized individual statement from each student to confirm eligibility. Based on that information, an evaluation was to be performed to identify the resulting amount of Title IV funds the students were eligible to receive, considering the issues identified in all the other findings detailed in this report. Universal was notified that the Department was under no obligation to accept any questionable information or statements.

### **Final Determination:**

Universal failed to submit a response to this finding. Because Universal failed to submit any further documentation, the Department calculated liabilities based on student interviews, and files reviewed that evidenced that Universal disbursed Title IV funds to students that were unable to complete and benefit from their programs because the students' criminal sentences, and parole time were set at the same time at those sited noted in Finding 3. Once the students completed their criminal sentences and parole time, they were released which resulted in the student's inability to finish the program.

Liabilities for the students in the review sample only, are as follows:

Award Years	Pell Grant	Interest	Total
2009/2010	\$13,375.00	\$ 624.10	\$13,999.10
2010/2011	\$ 2,928.00	\$ 107.34	\$ 3,035.34
<b>Total</b>	<b>\$16,303.00</b>	<b>\$ 731.44</b>	<b>\$17,034.44</b>

Due the unreliability of Universal's records as documented in Finding 1, and Universal's failure to provide any response to the program review, the Department is unable to verify that Universal is eligible for any Title IV funds it disbursed. Therefore, the Department must identify all funds disbursed documented in Finding 1 as liabilities.

The total Pell grant liability that could be identified based on records available to the Department for this finding included in Appendix G is **\$16,303.00** and the Pell grant interest is **\$731.44**. These liabilities are subsumed in the full liabilities noted above.

Payment instructions are included at the end of this report.



### **Finding 5. Failure to Provide Full Program as Approved –Externship**

#### **Noncompliance:**

When an institution applies for Title IV participation, it submits an application to the Department that includes the educational programs it offers. 34 C.F.R. § 600.20. When an institution submits the application it must show that it has received approval for its programs from both its accrediting body and its state licensing body. The Department relies on the approvals from the accrediting body and licensing body when making its decision on an institution's Title IV application. Changes to the scope of the educational programs made after the initial application is approved by the Department must be submitted for approval. 34 C.F.R. §§ 600.10(c), 600.20(c). Once an institution and its programs are deemed eligible by the Department, students enrolled in those programs are eligible for Title IV aid so long as they meet student eligibility requirements.

Before attending an institution, a student signs an enrollment agreement that operates as a contract between the student and the institution. The enrollment agreement sets forth the exact educational program for which the student is paying and the cost of that program. This includes the number of hours or credits in the program and the number of weeks it will take to complete those hours or credits. If a program is divided into specific components, such as classroom hours and externship hours, those specifics are also included in the agreement. By signing the enrollment agreement, a student is contracting for, and agreeing to pay for, the specific program as set forth in the contract.

When providing Title IV aid to a student to attend a particular institution, the Department is paying the institution for at least a portion of the program for which the student has contracted. The enrollment agreement becomes the basis upon which the Department provides payment to the institution on behalf of the student. The amount of Title IV aid a student is entitled to receive is based, among other things, on the number of credits/hours and weeks contained in the program of study.

The programs offered by Universal at the additional locations (Gurabo, Yabucoa, and Juncos): culinary arts, international pastry, and computer repair and maintenance, were approved with externship components consisting of 180 hours. Externships are included in programs to provide students with actual work experience in a business setting so that they will be prepared for future employment and to make the student more marketable when seeking those jobs. Students contracted for these programs with the externship component.

Because of the nature of the facilities in question, the students are unable to leave the sites. Universal's accreditor, Accrediting Commission of Career Schools and Colleges (ACCSC), informed the Department that the institution did not seek or obtain a modification of the programs, and ACCSC was not aware of limitations on the students

to attend the externship sites. The programs were approved with the externships by the accreditor, and in turn, by the Department.

The students at these additional locations were unable to complete the programs as approved, and contracted for, because they could not attend required externships. In addition, the students clearly could not receive the full benefit of the program. Despite these facts, Universal enrolled the students and improperly drew down federal funds for a full program that could not be completed. Students 124, 125, 128, 130, 133, 136, 137, 138, 140, 141, 142, 144, 147, 148, 150, 151, 152, 153, 154, 158, 161, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 175, and 182 allegedly graduated from their respective programs, despite the fact that they did not complete the externship---a key component of the approved programs.

#### **Directives From Program Review Report:**

As stated under Finding 1, the only acceptable response the Department can accept from the institution to document the students' eligibility for award years 2008/2009, 2009/2010, and subsequent award years was for Universal to engage a qualified, independent, third-party to verify with all students that they in fact met all eligibility requirements, including attendance and grades earned for every course. In its response, Universal was also required to obtain, and submit a notarized individual statement from each student to confirm eligibility. Based on that information, an evaluation was to be performed to identify the resulting amount of Title IV funds the students were eligible to receive, considering the issues identified in all the other findings detailed in this report.

Universal was notified that the Department is under no obligation to accept any questionable information or statements.

#### **Final Determination:**

Universal failed to submit a response to this finding. Because Universal failed to submit any further documentation, the Department calculated liabilities based on student interviews, and files reviewed that evidenced that Universal disbursed Title IV funds to students that were unable to complete and benefit from their programs as contracted for at the additional locations (Gurabo, Yabucoa, and Juncos) because the students were unable leave the locations to attend the required externships components of the program which were located at other sites.



Liabilities for the students in the review sample only, are as follows:

Award Years	Pell Grant	Interest	Total
2008/2009	\$ 82,793.00	\$ 14,072.19	\$ 96,865.19
2009/2010	\$117,700.00	\$ 5,492.08	\$ 123,192.08
2010/2011	34,687.00	\$ 1,271.64	\$ 35,958.64
<b>Total</b>	<b>\$235,180.00</b>	<b>\$ 20,835.91</b>	<b>\$256,015.91</b>

Due the unreliability of Universal's records as documented in Finding 1, and Universal's failure to provide any response to the program review, the Department is unable to verify that UCCC is eligible for any Title IV funds it disbursed. Therefore, the Department must identify all funds disbursed documented in Finding 1 as liabilities.

The total Pell grant liability that could be identified based on records available to the Department for this finding included in Appendix H is **\$235,180.00** and the Pell grant interest is **\$20,835.91**. These liabilities are subsumed in the full liabilities noted above.

Payment instructions are included at the end of this report.

#### **Finding 6. Failure to Submit a Required Compliance Audit**

##### **Noncompliance:**

As part of its obligation to account for the Title IV funds received, an institution must submit to the Department annual financial and compliance audits conducted by a qualified independent auditor. 20 U.S.C. § 1094(c); 34 C.F.R. §§ 668.23(a),(b). The audits submitted by institutions must meet specific guidelines established by the Comptroller General and the Secretary. 20 U.S.C. § 1094(c); 34 C.F.R. § 668.23(b). The guidelines for these audits are set forth in the U.S. General Accounting Office's (GAO's) Government Auditing Standards and in the audit guides published by the Department's Office of Inspector General. 34 C.F.R. § 668.23(b).

For a proprietary institution such as Universal, the audits must be submitted no later than 6 months after the end of the institution's fiscal year. 34 C.F.R. § 668.23(a)(4). An institution's failure to submit required audits is grounds for its termination from continued participation in the Title IV programs. 20 U.S.C §1094(c)(1)(F).

Universal's fiscal year ends on December 31<sup>st</sup>. Universal failed to submit required annual compliance audits for fiscal year ending 12/31/2011 due the Department by 6/30/2012.

##### **Directives From Program Review Report:**



Universal was informed that it was required to submit the required compliance audits or liabilities would be identified for all unaudited funds delivered to the institution during the unaudited period.

**Final Determination:**

Universal failed to submit a response to the program review report and failed to submit the required audit. The Pell grant liability being identified for this finding, included in Appendix I, is **\$2,612,909.21**. The Pell grant interest liability due the Department for this finding is **\$82,619.14**. This liability is subsumed in the full liability assessed for Finding 1.

Repayment instructions are included at the end of this report.

**D. Summary of Liabilities**

**Established Liabilities- Duplicate Liabilities Removed**

Findings	Pell (Closed Award Year)	FSEOG	FWS	
Finding 1	\$13,440,475.00	\$259,740.00	\$173,055.00	
Finding 2	3,232.50	0	0	
<b>Subtotal 1</b>	\$13,443,707.50	\$259,740.00	\$173,055.00	
Interest/SA	\$ 1,090,483.14	\$ 23,579.92	16,595.77	
<b>Total</b>	\$14,534,190.64	\$283,319.92	\$189,650.77	
<b>Payable To:</b>				<b>Total</b>
Department	\$14,534,190.64	\$283,319.92	\$189,650.77	\$15,007,161.33

**E. Payment Instructions**

**1. Liabilities Owed to the Department**

Universal owes to the Department **\$15,007,161.00**. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System,

which is known as FEDWIRE. UCCC must make this transfer within **45 days of the date of this letter**. This repayment through FEDWIRE is made via the Federal Reserve Bank in New York. If Universal's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

Any liability of \$100,000 or more identified through a program review must be repaid to the Department via FEDWIRE. The Department is unable to accept any other method of payment in satisfaction of these liabilities.

**Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the institution must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if applicable).**

Instructions for completing the electronic fund transfer message format are included on the attached FEDWIRE form (Appendix J).

#### **Terms of Payment**

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. Universal is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to Universal's account representative.

If full payment cannot be made within **45** days of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education  
OCFO Financial Management Operations  
Accounts Receivable Group  
550 12th Street, S.W., Room 6114  
Washington, DC 20202-4461

If within 45 days of the date of this letter, Universal has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability



under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due Universal from the Federal Government. **Universal may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, UCCC must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

**Liabilities Owed to the Department in the case of Title IV Grants**

**Pell – Cancelled Award Year**

Finding(s): 1, 2, 3, 4, 5, and 6

Appendices: D, E, F, G, H, and I

Universal must repay:

Pell ACG SMART or TEACH <b>Cancelled Award Year</b>			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$ 3,232.50	\$ 1,077.38	Pell	2007/2008
\$4,066,222.00	\$691,131.36	Pell	2008/2009
\$5,459,758.00	\$254,764.32	Pell	2009/2010
\$3,914,495.00	\$143,510.08		
<b>Total Principal</b>	<b>Total Interest</b>		
<b>\$13,443,707.50</b>	<b>\$1,090,483</b>		

The liability above is for award years 5 years or older and student adjustments in the Common Origination and Disbursement (COD) system are no longer possible. Instead, the funds will be returned to the general program fund for the applicable Title IV program.

**Campus Based Programs**

Finding: 1

Appendix: D

Universal must repay **\$173,055.00** in Federal Work Study and the interest liability is **\$16,595.77**. Universal must also repay **\$259,740.00** in Federal Supplemental Education Opportunity Grant funds and the interest liability is **\$23,579.92**.

## **F. Appendices**

Appendices A through J are attached to this report.



FINAL PROGRAM REVIEW DETERMINATION

PRCN #: 201120227457

UNIVERSAL CAREER COMMUNITY COLLEGE

APPENDIX B

COPY OF PROGRAM REVIEW REPORT



APR 30 2014

Mr. Richard D'Costa  
President  
Universal Career Community College  
1817 Calle Camelia  
San Juan, PR 00927

**Certified Mail Return Receipt Requested**

7006 2760 0002 1734 9345

RE: **Program Review Report**  
OPE ID: 03326300  
PRCN: 201120227457

Dear Mr. D'Costa:

From 3/21/2011 through 11/22/11, Lydia Gonzalez and Jacqueline Watford as representatives of the U.S. Department of Education, Julio Echevarria and Robert Wolfe from the Department's Office of the Inspector General (OIG) conducted a review of Universal Career Community College's (UCCC) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding. The response should include a brief, written narrative for each finding that clearly states UCCC's position regarding the finding. Separate from the written narrative, UCCC must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report<sup>1</sup> and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
  - a. A written statement addressing the institution's response;
  - b. A written statement of the basis for such report or determination; and
  - c. A copy of the institution's response.

<sup>1</sup> A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

**Federal Student Aid**

AN OFFICE of the U.S. DEPARTMENT of EDUCATION

School Participation Division – New York/Boston

Financial Square, 32 Old Slip, 25<sup>th</sup> Fl., New York, NY 10005



It should be noted that the Department imposed an emergency action against UCCC on 12/20/2011. As a result, UCCC became ineligible to participate in programs authorized by Title IV of the Higher Education Act of 1965, as amended (Title IV) on 12/20/2011.

The Department based its decision to take an emergency action to terminate the institution's eligibility to participate in the Title IV programs based upon reliable information obtained during the program review and investigation. The information disclosed severe breaches of UCCC's fiduciary duty to the Department and serious violations.

It should also be noted that on August 6, 2013, the Vice President of UCCC pled guilty, and was sentenced in the U.S District Court of Puerto Rico to one year home confinement followed by two years of probation, and ordered to pay \$201,868 in restitution. The investigation revealed that student admissions and withdrawal records at UCCC were falsified in order to benefit UCCC in requesting, receiving, and maintaining Pell grant funds in excess of what the institution was entitled.

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by UCCC upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to **Lydia Gonzalez** of this office within 90 calendar days of receipt of this letter.

**Protection of Personally Identifiable Information (PII):**


PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

**Record Retention:**

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24(e).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Lydia Gonzalez at (646) 428-3743 or at [Lydia.Gonzalez@ed.gov](mailto:Lydia.Gonzalez@ed.gov)

Sincerely,

  
Christopher Curry  
Compliance Manager

cc: Ms. Mayra Segarra, Financial Aid Administrator

Enclosure:

Program Review Report (and appendices)

Protection of Personally Identifiable Information

bcc: Reading file, Correspondence file, Lydia Gonzalez, Chris Curry, ERM



FINAL PROGRAM REVIEW DETERMINATION

PRCN #: 201120227457

UNIVERSAL CAREER COMMUNITY COLLEGE

#### APPENDIX C

INSTITUTION FAILED TO SUBMIT A RESPONSE TO THE PROGRAM  
REVIEW REPORT ISSUE 4/30/14

Prepared for

**Universal Career Community  
College**

**Federal Student Aid**  
An OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of  
the AMERICAN MIND™

**OPE ID 03326300  
PRCN 201120227457**

**Prepared by  
U.S. Department of Education  
Federal Student Aid  
School Participation Division-New York/Boston**

# Program Review Report

APR 30 2014



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## Appendices

### Appendix A: Student Sample

**A. Institutional Information**

Universal Career Community College  
Avenue Fernandez Juncos #1902  
Santurce, PR 00909-3010

Type: Proprietary

Highest Level of Offering: Associate's Degree

Accrediting Agency: Accrediting Commission of Career Schools and Colleges

Current Student Enrollment: School is no longer participating in the Title IV, HEA programs

**Title IV Participation**

Source: U.S. department of Education

	2010/2011	2009/2010	2008/2009
Programs	Amount		
Federal Pell Grant (Pell)	\$3,974,420	\$5,521,622	\$4,066,222
Federal Supplemental Educational Opportunity Grant (FSEOG)	105,820	108,000	132,500
Federal Work Study (FWS)	36,004	102,601	92,135
<b>Total</b>	<b>\$4,116,244</b>	<b>\$5,732,223</b>	<b>\$4,290,857</b>

Default Rate FFEL/DL: No Participation

Default Rate Perkins: No Participation



## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review of Universal Career Community College's (UCCC) student files obtained by the Department's Office of Inspector General from 3/21/2011 through 11/22/2011. The review was conducted by Lydia Gonzalez and Jacqueline Watford as representatives of the U.S. Department of Education, Julio Echevarria and Robert Wolfe from the Department's Office of the Inspector General (OIG).

The initial focus of the review was to determine whether UCCC officials violated Federal laws by falsifying students' attendance records in order to illegally obtain Pell grant funds. The review consisted of, but was not limited to, an examination of individual student financial aid and academic files, attendance records, and student account ledgers that were in the possession of the Department's Office of the Inspector General (OIG), and additional information provided by the institution. These records had been seized as part of an investigation of the institution.

A sample of 184 files was identified for review from the 2008/2009 and 2009/2010 award years. The student files were selected based on a review of student records to identify a judgmental sample of students that had likely not attended or withdrawn from the institution. Appendix A lists the names and partial social security number of the students whose files were examined during the program review.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning UCCC's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve UCCC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

### **C. Findings**

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations. As a result of the findings noted during the review, the Department, on December 20, 2011, imposed an emergency action against UCCC. The Department took the action under authority 20 U.S.C. 1094(c)(1)(G), and the procedures for emergency action set forth in the Student Assistance General Provisions regulations at 34 C.F.R. 668.83. As a result, UCCC's Title IV program participation was terminated on 12/20/2011.

The Department based its decision upon reliable information obtained during a program review and an investigation that was conducted by the Department's New York/Boston School Participation Team (SPT) in conjunction with the Department's Office of Inspector General (OIG). As part of its review, the Department analyzed student file documentation that was obtained by OIG, documentation that was obtained during an on-site review of UCCC, and during the subsequent investigation. Federal Student Aid's review of the seized records began in March 2011. The information obtained during the review and investigation disclosed severe breaches of UCCC's fiduciary duty to the Department and serious violations of Title IV regulations. Based on the violations outlined below, it was determined that an emergency action against UCCC was warranted.

#### **Finding 1. Illegal Disbursement and Retention of Unearned Title IV Funds and Falsification of Documentation**

**Citation:** A student must be enrolled in a program requiring a minimum of 15 weeks and 600 hours of instructional time in order to receive Pell Grant funds. 34 C.F.R. § 668.8(d). Once it is determined that a student is enrolled in an eligible program, the amount of a student's Pell Grant is calculated by using the guidelines established in the regulations. See 34 C.F.R. §§ 690.62, 690.63. The calculations to be used by an institution vary depending on the length of the student's program and the method by which the institution measures its academic program. For an institution such as UCCC, which provides its programs in quarter credit hours, the calculations focus on the number of credits and weeks of instruction required to complete the student's program of study. See 34 C.F.R. §§ 690.63(a), (b).

After the amount of a student's Title IV award is established, the funds are disbursed to the student in incremental payments, or payment periods. For programs such as UCCC's that have standard academic terms, the payment period is the academic term. 34 C.F.R. § 668.4(a). An institution may not disburse a second payment of Pell Grant funds to a student until he/she has completed the payment period for which Pell disbursements have previously been made. 34 C.F.R. § 690.75(a)(3). Further, an institution must ensure that a student is still enrolled and attending classes prior to disbursing Title IV funds for subsequent payment periods.

If a student does not begin attendance in a payment period, the institution is responsible for returning any improperly disbursed funds. 34 C.F.R. § 668.21.



A student's Pell Grant award for any given payment period is affected by the student's enrollment status. For programs offered in standard terms such as semesters, a student must be enrolled in at least 12 credits per academic term in order to be considered full time and receive the maximum Pell Grant award for the term. See 34 C.F.R. §§ 668.2 (definition of full time student); 690.63(a). Students who are enrolled on a three-quarter or half-time basis receive lower Pell Grant awards for the relevant payment periods to reflect the lower credit load. 34 C.F.R. § 668.2 (definition of three-quarter time student, definition of half-time student). For programs offered in non-standard terms, full time status is determined by dividing the number of weeks of instructional time in the term by the number of weeks of instructional time in the academic year and multiplying that number by the number of credit hours in the program's academic year. 34 C.F.R. § 668.2 (definition of full time student – section (3)). If a student's enrollment status changes in a payment period the institution may only include those classes in which the student began attendance when determining the student's adjusted Pell Grant award. 34 C.F.R. § 690.80(b)(2)(ii).

When a student withdraws prior to the completion of his/her program of study, the institution must determine if the amount of Title IV assistance disbursed to the student exceeded the amount of Title IV funds earned as of the date of the student's withdrawal. The date of withdrawal is critical to this calculation. See 34 C.F.R. § 668.22(c), (e). For time periods relevant to this action, unearned funds must be returned within 45 days from the date of the institution's determination that the student withdrew. 34 C.F.R. § 668.22(j)(1)(2006). If a student fails to provide notification of his/her withdrawal, the determination date is the date the institution becomes aware that the student ceased attending. 34 C.F.R. § 668.22(l)(3). Since UCCC does take attendance, its determination that a student has withdrawn should be made within a reasonable time after the student's last date of attendance. An institution's failure to pay refunds is a criminal offense. 20 U.S.C. § 1097.

Compliance with these Title IV disbursement and refund requirements is a critical component of an institution's fiduciary duty to the Department and its students.

**Noncompliance:** UCCC illegally disbursed and retained Title IV funds for students who did not complete their programs of study. In the files reviewed, the Department found that UCCC falsified the last date of attendance (LDA) and student grades to make it appear the students completed more cycles and/ or terms than they actually did.

For example, student #78 began the administrative assistant certificate program in January 2009. UCCC's documentation for this student showed the student as attending 2 full cycles. The student received a B and an F in the first cycle and 2 Fs in the second cycle. UCCC posted an LDA for this student as May 1, 2009. The student informed the Department that she went to two sessions of one class the first cycle and then informed the school that she was withdrawing. She did not attend the second class in the first cycle or any classes in the second cycle. UCCC assigned a B grade in the class the student only attended twice. UCCC improperly retained a full term of Pell grant funds for this student despite the fact that the student did not begin all of the classes that were used to calculate the student's Pell award.



Similarly, student #60 began an associate's degree program in August 2009. UCCC's records show the student attending 2 full semesters with grades for both. UCCC posted a LDA for this student as May 4, 2010, which was the last date of the second semester. The student informed the Department that he only attended the fall 2009 Term, and did not begin any classes for the semester starting in January 2010. UCCC improperly retained 2 semesters of Pell grant funds for this student.

During the course of its review and investigation, the Department discovered that UCCC also improperly extended the periods of attendance for Students 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 41, 42, 44, 45, 46, 47, 48, 49, 50, 52, 53, 55, 56, 57, 58, 59, 61, 62, 63, 64, 65, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 79, 80, 81, 82, 84, 85, 86, 87, 88, 90, 91, 92, 93, 94, 95, 97, 98, 101, 102, 103, 104, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 119, 120, 122, 123, 126, 130, 131, 132, 135, 139, 143, 149, 156, 159, 173, 174, 176, 177, 179, 180, 181, 183, 184. To cover its egregious misconduct, UCCC falsified grades on student transcripts and last dates of attendance on withdrawal forms. These falsifications made it appear that the students attended longer than they actually did and that they began all classes for which Pell Grant funds had been disbursed, and therefore, that the Pell payments UCCC illegally retained were supported.

UCCC's misconduct is further exemplified by Students 26 and 83. These students filled out paperwork to enroll at the institution, but never began classes. Despite this fact, UCCC disbursed and retained a full semester of Pell Grant funds on behalf of these "no show" students. In addition, Student 77 enrolled at the institution in January 2008, but could not start at that time because of health issues. Although the student did not begin classes at that time, UCCC disbursed and retained that full award year of Pell Grant funds.

In addition to improperly carrying students, UCCC failed to pay calculated refunds to the Title IV programs for Students 40, 54, 100, 117, 118, and 121. Although UCCC performed refund calculations showing that refunds were owed for these students, the funds were never returned to the Department.

UCCC's illegal disbursement and retention of Pell funds and its falsification of documentation establish that the institution abandoned its fiduciary duty to the Department and its students. By altering LDAs and transcripts, UCCC made it appear that students attended longer than they had so that the institution could mask its illegal disbursement of Title IV funds. In addition, UCCC used these falsifications to justify its failure to pay required refunds of unearned Title IV funds. The improper disbursements of these Pell grant funds may impact students Title IV eligibility in future years which causes direct harm to the students.

**Required Action:** Under different circumstances, the Department might require a school to perform a self-study to determine Title IV aid inappropriately awarded to ineligible students. However, on August 6, 2013, the Vice President of UCCC pled guilty, and was sentenced in the U.S. District Court of Puerto Rico to one year home confinement followed by two years of probation, and ordered to pay \$201,868 in restitution. The investigation revealed that student



admissions and withdrawal records at UCCC were falsified in order to benefit UCCC in requesting, receiving and maintaining Pell grant funds in excess of what the institution was entitled. Based on these determinations, the Department questions the veracity of UCCC's documentation as a whole, and therefore, the only acceptable response the Department can accept from the school to document the students' eligibility for award years 2008/2009, 2009/2010, and subsequent award years is for UCCC to engage a qualified, independent, third-party to verify with all students that they in fact met all eligibility requirements, including attendance and grades earned for every course. In its response, UCCC must also obtain, and submit a notarized individual statement from each student to confirm eligibility. However, the Department is under no obligation to accept any questionable information or statements. Then, based on that information, an evaluation would be performed to identify the resulting amount of Title IV funds the students were eligible to receive, considering the issues identified in all the other findings detailed in this report.

A description of the Department's methodology for determining liabilities, including interest, and instructions for repayment of those liabilities will be provided in the final program review determination letter.

## **Finding 2. Improper Disbursement and Retention of Funds for Students Who Were Not Attending Full Time**

**Citation:** A student must be enrolled in an eligible program in order to receive Title IV funds. 34 C.F.R. § 668.32. The Title IV regulations set forth specific requirements that must be met in order for an educational program to be deemed eligible for Title IV funding. Among those requirements is the standard that an institution, such as UCCC, that offers certificate programs in credit hours must use the Department's credit/clock hour conversion formula for determining the amount of credits that may be used for determining whether a program is eligible and for determining a student's status and his/her eligibility for Title IV funds. See 34 C.F.R. §§ 668.8(k), 668.8(l), 668.9.

Further, as outlined above, a student's Pell Grant award for each term is based, in part, on the student's enrollment status. An institution must adjust a student's Title IV funding if the student is enrolled less than full time. If the student's status changes after he/she initially enrolls for the term, the institution must return any funds that were disbursed in excess of the student's actual enrollment status. See 34 C.F.R. § 690.80(b)(2)(ii).

UCCC's associate degree programs are offered in standard semesters, so a full time student must begin at least 12 credits to earn a full Pell award for the semester. UCCC's certificate programs are offered in non-standard terms. Based on the formula outlined above, a student must begin 18 credits in each term to be considered full time in those programs. If the students actually began attendance in those programs with less than the required full time credits, the Pell Grant award must be adjusted.

**Noncompliance:** UCCC failed to adjust the Pell Grant awards for students who were enrolled in a term but did not begin all classes in the term. As noted above, only the classes a student actually begins may be counted in determining the eligibility for Title IV awards. UCCC



repeatedly failed to adjust awards for students who actually attended classes representing less than a full time status. UCCC simply ignored this fact and retained full time awards for Students 4, 5, 7, 15, 20, 25, 36, 41, 43, 51, 62, 66, 71, 74, 89, 96, 97, 99, 100, 105, 114, 120, 123, 131, 143, 149, 156, 157, 159, 160, 176, 177, and 184 even though the classes actually attended did not support a full time Pell Grant award. In some cases, UCCC falsified the grades on these students' transcripts to make it appear the students actually attended full time.

**Required Action:** Under different circumstances, the Department might require a school to perform a self-study to determine Title IV aid inappropriately awarded to ineligible students. However, on August 6, 2013, the Vice President of UCCC pled guilty, and was sentenced in the U.S. District Court of Puerto Rico to one year home confinement followed by two years of probation, and ordered to pay \$201,868 in restitution. The investigation revealed that student admissions and withdrawal records at UCCC were falsified in order to benefit UCCC in requesting, receiving and maintaining Pell grant funds in excess of what the institution was entitled. Based on these determinations, the Department questions the veracity of UCCC's documentation as a whole. Therefore, the only acceptable response the Department can accept from the school to document the students' eligibility for award years 2008/2009 and 2009/2010 is for UCCC to engage a qualified, independent, third-party to verify with all students that they, in fact, met all eligibility requirements, including attendance and grades earned for every course. In its response, UCCC must also obtain, and submit a notarized individual statement from each student to confirm eligibility. However, the Department is under no obligation to accept any questionable information or statements. Then, based on that information, an evaluation would be performed to identify the resulting amount of Title IV funds the students were actually eligible to receive, considering the issues identified in all the other findings detailed in this report.

A description of the Department's methodology for determining liabilities, including interest, and instructions for repayment of those liabilities will be provided in the final program review determination letter.

### **Finding 3. Illegal Disbursements to Incarcerated Students at "Satellite" Locations**

**Citation:** The regulations make clear that a student is not eligible to receive Pell Grant funds if he/she is incarcerated. See 34 C.F.R. § 668.32(c)(2)(ii). The regulations define an incarcerated student as an individual who is serving a criminal sentence in a Federal, State, or local penitentiary, prison, jail, reformatory, work farm, or other similar correctional institution. 34 C.F.R. § 668.2

**Noncompliance:** When UCCC applied for recertification in 2008, it added two additional locations to its application. These locations were in Gurabo and Yabucoa, Puerto Rico. At that time, the review of the application was limited to basic eligibility requirements such as accrediting and licensing approval and financial issues. Since UCCC met these standards, the sites were approved. In 2010, UCCC notified the Department that it added a location in Juncos, PR. The school was fully certified, and did not need to obtain the Department's approval for this location so long as it had accreditor and licensing approval, and notified the Department.



During the course of the review and investigation, the Department learned that the sites were not traditional additional locations. These locations were added as a result of a contract entered into between UCCC and an entity called Hogar Nueva A Vida, Inc. and Hogar Nuevo Pacto Inc. (Hogar) to provide educational training to individuals at these sites. Hogar is a non-profit organization that provides housing facilities to various groups of individuals, including those serving criminal sentences under the supervision of the Puerto Rico Department of Corrections. Individuals placed there by the Department of Corrections are unable to leave the facility until the completion of their sentences and they receive a formal release.

Since these students were serving criminal sentences at these sites, they would be considered incarcerated for purposes of Title IV eligibility. Consequently, they are ineligible for Pell Grant funding. Improper Pell Grant payments were made to Students 126, 132, 134, 135, 136, 137, 144, 145, 155, 157, 162, 164, 173, 178 and 179.

**Required Action:** Under different circumstances, the Department might require a school to perform a self-study to determine Title IV aid inappropriately awarded to ineligible students. However, on August 6, 2013, the Vice President of UCCC pled guilty, and was sentenced in the U.S. District Court of Puerto Rico to one year home confinement followed by two years of probation, and ordered to pay \$201,868 in restitution. The investigation revealed that student admissions and withdrawal records at UCCC were falsified in order to benefit UCCC in requesting, receiving and maintaining Pell grant funds in excess of what the institution was entitled. Based on these determinations, the Department questions the veracity of UCCC's documentation as a whole. Therefore, if UCCC wishes to dispute the facts detailed in this finding, the only acceptable response would be for the institution to provide specific documentation to demonstrate that the students' enrolled at the Gurabo, Yabucoa, and Juncos locations were not incarcerated, and did meet Title IV eligibility criteria. Then, the school must document the students' eligibility for award years 2008/2009, 2009/2010, and subsequent award years by engaging a qualified, independent, third-party to verify with all students that they, in fact, met all eligibility requirements including attendance and grades earned for every course. In its response, UCCC must also obtain, and submit a notarized individual statement from each student to confirm eligibility. However, the Department is under no obligation to accept any questionable information or statements. Then based on that information, an evaluation would be performed to identify the resulting amount of Title IV funds the students were eligible for, considering the issues identified in all the other findings detailed in this report.

A description of the Department's methodology for determining liabilities, including interest, and instructions for repayment of those liabilities will be provided in the final program review determination letter.



**Finding 4. Disbursement of Funds to Students Who Could Not Complete and Benefit from the Program**

**Citation:** The purpose of the Title IV program is to provide funding in order for students to attend postsecondary institutions and receive necessary training. See 20 U.S. C. § 1070(a). In order to participate in the Title IV programs, proprietary institutions such as UCCC must offer eligible programs that prepare students for gainful employment in a recognized occupation. 34 C.F.R. § 600.5(a)(5); 668.8(d)(2)(iii). The focus of these provisions and the Title IV statute in general, is that a student must be able to benefit from an educational program being paid for, at least in part, by Title IV funds.

**Noncompliance:** The Department has determined that was not the case for many students attending the additional locations described in the previous finding. During the course of the review, the Department requested lists of students who attended these additional locations and information regarding the students' start dates and completion/withdrawal dates. UCCC provided the requested information. This information established that UCCC enrolled students and drew down Pell Grant funds when there was no way the student could complete the program, and therefore, obtain the benefit from the program and the Federal funds used to pay for that program.

For example, Student 145 enrolled in the computer repair program at the additional location in Juncos on March 8, 2010. The student's status is listed as a withdrawal as of June 30, 2010. When the Department questioned the site about the student's withdrawal, the reviewer was told that the student finished his sentence and was released on July 6, 2010. Based on the date of enrollment, there was no way the student could complete more than one semester of the program.

Since the students' criminal sentences and parole time are set at the time the individuals are placed at the Hogar sites, the school was well aware that the students could not finish the program when they were enrolled and Title IV funds were taken. In addition to Student 145, UCCC drew down Title IV funds for Students 126, 155, 157, and 179, when the institution was well aware that the students had no ability to complete and benefit from the programs.

It should also be noted that in addition to enrolling these students who had no ability to complete the program, UCCC carried many of the students, and continue disbursing aid after they were released from any of the Hogar sites. As fully set forth above, UCCC improperly retained funds for these students for periods of enrollment after the students ceased attending.

Based on the facts uncovered, it appears that UCCC enrolled these students for the sole purpose of obtaining Pell Grant funds.

**Required Action:** Under different circumstances, the Department might require a school to perform a self-study to determine Title IV aid inappropriately awarded to ineligible students. However, on August 6, 2013, the Vice President of UCCC pled guilty, and was sentenced in the U.S. District Court of Puerto Rico to one year home confinement followed by two years of probation, and ordered to pay \$201,868 in restitution. The investigation revealed that student admissions and withdrawal records at UCCC were falsified in order to benefit UCCC in requesting, receiving and maintaining Pell grant funds in excess of what the institution was entitled. Based on these determinations, the Department questions the veracity of UCCC's



documentation as a whole. Therefore, if UCCC wishes to dispute the facts detailed in this finding, the only acceptable response would be for the institution to provide specific documentation to demonstrate that the students' enrolled at the Gurabo, Yabucoa, and Juncos locations had the opportunity and ability to complete their entire program. Then, the school must document the students' eligibility for award years 2008/2009, 2009/2010, and subsequent award years by engaging a qualified, independent, third-party to verify with students that in fact they met all eligibility requirements, including attendance and grades earned for every course at the satellite locations. In its response, UCCC must also obtain, and submit a notarized individual statement from each student to confirm eligibility. However, the Department is under no obligation to accept any questionable information or statements. Then based on that information, an evaluation would be performed to identify the resulting amount of Title IV funds the students were eligible for, considering the issues identified in all the other findings detailed in this report.

A description of the Department's methodology for determining liabilities, including interest, and instructions for repayment of those liabilities will be provided in the final program review determination letter.

#### **Finding 5. Failure to Provide Full Program as Approved –Externship**

**Citation:** When an institution applies for Title IV participation, it submits an application to the Department that includes the educational programs it offers. 34 C.F.R. § 600.20. When an institution submits the application it must show that it has received approval for its programs from both its accrediting body and its state licensing body. The Department relies on the approvals from the accrediting body and licensing body when making its decision on an institution's Title IV application. Changes to the scope of the educational programs made after the initial application is approved by the Department must be submitted for approval. 34 C.F.R. §§ 600.10(c), 600.20(c). Once an institution and its programs are deemed eligible by the Department, students enrolled in those programs are eligible for Title IV aid so long as they meet student eligibility requirements.

Before attending an institution, a student signs an enrollment agreement that operates as a contract between the student and the institution. The enrollment agreement sets forth the exact educational program for which the student is paying and the cost of that program. This includes the number of hours or credits in the program and the number of weeks it will take to complete those hours or credits. If a program is divided into specific components, such as classroom hours and externship hours, those specifics are also included in the agreement. By signing the enrollment agreement, a student is contracting for, and agreeing to pay for, the specific program as set forth in the contract.

When providing Title IV aid to a student to attend a particular institution, the Department is paying the institution for at least a portion of the program for which the student has contracted. The enrollment agreement becomes the basis upon which the Department provides payment to the school on behalf of the student. The amount of Title IV aid a student is entitled to receive is



based, among other things, on the number of credits/hours and weeks contained in the program of study.

**Noncompliance:** The programs offered by UCCC at the additional locations (Gurabo, Yabucoa, and Juncos): culinary arts, international pastry, and computer repair and maintenance, were approved with externship components consisting of 180 hours. Externships are included in programs to provide students with actual work experience in a business setting so that they will be prepared for future employment and to make the student more marketable when seeking those jobs. Students contracted for these programs with the externship component.

Because of the nature of the facilities in question, the students are unable to leave the sites. UCCC's accreditor, Accrediting Commission of Career Schools and Colleges (ACCCSC), informed the Department that the institution did not seek or obtain a modification of the programs, and ACCCSC was not aware of limitations on the students to attend the externship sites. The programs were approved with the externships by the accreditor, and in turn, by the Department.

The students at these additional locations were unable to complete the programs as approved, and contracted for, because they could not attend required externships. In addition, the students clearly could not receive the full benefit of the program. Despite these facts, UCCC enrolled the students and improperly drew down federal funds for a full program that could not be completed. Students 124, 125, 128, 130, 133, 136, 137, 138, 140, 141, 142, 144, 147, 148, 150, 151, 152, 153, 154, 158, 161, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 175, and 182 allegedly graduated from their respective programs, despite the fact that they did not complete the externship---a key component of the approved programs.

**Required Action:** Under different circumstances, the Department might require a school to perform a self-study to determine Title IV aid inappropriately awarded to ineligible students. However, on August 6, 2013, the Vice President of UCCC pled guilty, and was sentenced in the U.S. District Court of Puerto Rico to one year home confinement followed by two years of probation, and ordered to pay \$201,868 in restitution. The investigation revealed that student admissions and withdrawal records at UCCC were falsified in order to benefit UCCC in requesting, receiving and maintaining Pell grant funds in excess of what the institution was entitled. Based on these determinations, the Department questions the veracity of UCCC's documentation as a whole. Therefore, if UCCC wishes to dispute the facts detailed in this finding, the only acceptable response would be for the institution to provide specific documentation to demonstrate that the students' enrolled at the Gurabo, Yabucoa, and Juncos locations had the opportunity and ability to complete their entire program, including the externships. Then, the school must document the students' eligibility for award years 2008/2009, 2009/2010, and subsequent award years by engaging a qualified, independent, third-party to verify with all students that in fact they met all eligibility requirements, including attendance and grades earned for every course. In its response, UCCC must also obtain, and submit a notarized individual statement from each student to confirm eligibility. However, the Department is under no obligation to accept any questionable information or statements. Then based on that

information, an evaluation would be performed to identify the resulting amount of Title IV funds the students were eligible for, considering the issues identified in all the other findings detailed in this report.

A description of the Department's methodology for determining liabilities, including interest, and instructions for repayment of those liabilities will be provided in the final program review determination letter.

#### **Finding 6. Failure to Submit a Required Compliance Audit**

**Citation:** As part of its obligation to account for the Title IV funds received, an institution must submit to the Department annual financial and compliance audits conducted by a qualified independent auditor. See 20 U.S.C. § 1094(c); 34 C.F.R. § 668.23(a), (b). The audits submitted by institutions must meet specific guidelines established by the Comptroller General and the Secretary. 20 U.S.C. § 1094(c); 34 C.F.R. § 668.23(b). The guidelines for these audits are set forth in the U.S. General Accounting Office's (GAO's) Government Auditing Standards and in the audit guides published by the Department's Office of Inspector General. 34 C.F.R. § 668.23(b)

For a proprietary institution such as UCCC, the audits must be submitted no later than 6 months after the end of the institution's fiscal year. 34 C.F.R. § 668.23(a)(4). An institution's failure to submit required audits is grounds for its termination from continued participation in the Title IV programs. See 20 U.S.C § 1094 (c)(1)(F)

**Noncompliance:** UCCC's fiscal year ends on December 31<sup>st</sup>. UCCC failed to submit required annual compliance audits for fiscal year ending 12/31/2011 due the Department by 6/30/2012.

**Required Action:** UCCC must submit the required compliance audits or liabilities will be assessed for all unaudited funds delivered to the institution during the unaudited period.

A description of the Department's methodology for determining liabilities, including interest, and instructions for repayment of those liabilities will be provided in the final program review determination letter.